

*Entered September 28, 1955
WDM.*

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

ORDER NO. A-71

STATEWIDE OIL PRORATION ORDER FOR OCTOBER 1955

The Oil Conservation Commission held public hearing at Santa Fe, New Mexico on September 15, 1955, at 9 a. m., pursuant to legal notice for the purpose of setting the allowable production of oil within the State of New Mexico for the month of October, 1955, and now on this day the Commission, a quorum being present, having considered the testimony adduced as to probable market demand, the nominations of purchasers, the capacities of producing wells, together with the anticipated newly completed or recompleted wells, and being otherwise fully advised in the premises,

FINDS:

1. That under normal conditions, the reasonable market demand for oil produced in the State of New Mexico for the month of October, 1955, would be 281,456 barrels per day, which total includes 11,000 barrels as supplemental allowable for new production during the proration period.
2. That due to a refinery fire at a refinery of Standard Oil Company of Indiana, in Whiting, Indiana, during the month of August, Stanolind Oil Purchasing Company has advised the Commission and producers with whom they have pipeline connections in the State of New Mexico that effective September 1, 1955, Stanolind Oil Purchasing Company will take from their connections only 55% of the assigned allowable. Testimony by representatives of Stanolind Oil Purchasing Company at this hearing indicate that such conditions will continue to exist at least during the month of October.
3. That due to this situation, the allowable should be reduced from the amount indicated in Paragraph (1) herein and that the reasonable market demand for oil produced in the State of New Mexico for the month of October, 1955 should be 277,265 barrels per day, which total includes 11,000 barrels as supplemental allowable for new production during the proration period.
4. The potential producing capacity of all oil wells in the State is in excess of the reasonable market demand, and in order to prevent waste, the production of oil should be limited, allocated and distributed for the month of October, 1955.
5. That all the producing oil wells, together with the expected completed or recompleted wells in the State within the proration period, can produce a total of 277,265 barrels per day without causing waste, and an allocation based upon such production would be reasonable and protect correlative rights.
6. Of the total production of oil for the month of October, 1955, approximately 3,580 barrels per day can and will be produced from the oil pools in San Juan, Rio Arriba, McKinley and Sandoval Counties.
7. That the balance of the total oil production for the State in October, 1955, in the amount of 273,685 barrels per day can be produced

without waste by a distribution and allocation of such production among the oil wells in Lea, Eddy, Roosevelt and Chaves Counties, New Mexico, by the establishment of a normal unit allowable of 39 barrels per unit per day.

8. That Stanolind Oil Purchasing Company has reduced its purchases of New Mexico crude oil, including crude oil produced by marginal wells, by 45%, such reduction being effective September 1, 1955.

9. That such pipeline prorationing has resulted in waste due to the non-ratable taking of oil within pools, during the month of September, 1955, and that such waste will continue during the month of October if the present conditions continue to exist.

10. That the reduction of takes during the month of October will result in discrimination between wells within oil pools.

11. That such non-ratable taking will result in discrimination between oil pools.

12. That other purchasers of crude oil in Southeastern New Mexico have access to crude oil produced in certain pools through the facilities and systems of the Stanolind Oil Purchasing Company, and that such other purchasing companies can purchase crude oil through the facilities and systems of the Stanolind Oil Purchasing Company.

13. That Stanolind Oil Purchasing Company can by exchange with other crude oil purchasers within the State of New Mexico and elsewhere take such crude oil for its own present or future use or for sale by it to other common purchasers.

14. That the reasonable market demand for New Mexico crude oil has not diminished because of or by reason of the fire at Stanolind's refinery at Whiting, Indiana.

15. That crude oil storage conditions and market conditions are such that Stanolind distress oil can be absorbed as a part of the reasonable market demand for oil during the month of October, 1955.

IT IS THEREFORE ORDERED:

1. For the month of October, 1955 a normal unit allowable for production of oil in the allocated pools within Lea, Eddy, Roosevelt and Chaves Counties, be, and the same hereby is set at 39 barrels per unit per day; provided that each well in the Knowles Pool in Lea County, New Mexico, under 80-acre spacing Order R-40 (except as amended by Order R-52) is allocated 78 barrels per 30 acres, with deep-pool adaptation. The allocation hereby set for said month in the allocated pools of Lea, Eddy, Roosevelt and Chaves Counties, New Mexico, shall be in accordance with Rules 502, 505 and 506 of the Commission's Rules and Regulations, and subject to and as modified by any valid orders of the Commission relating directly to any well, areas or pools and the assignment of allowable thereto.

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2. A proration schedule duly prepared by the Commission and thereafter adopted, for the month of October, 1955, is hereto attached and made a part hereof. It distributes and allocates the allowable production among the oil wells in Lea, Eddy, Roosevelt and Chaves Counties, New Mexico, for the period stated. The sale, purchase or acquisition, or the transporting, refining, processing or handling in any other way of oil produced in excess thereof is hereby prohibited, and such oil is thereafter contraband.

3. That Stanolind Oil Purchasing Company shall take the full allowable assigned to the wells to which it is connected, insofar as the wells are able to produce such allowables, together with all oil in lease storage which is classified as Legal Storage.

4. That all other crude oil purchasers within this state, as common purchasers, will take from Stanolind Oil Purchasing Company oil offered to them through Stanolind's system and connections, on the same basis as they take from other wells and fields with which they have direct or indirect connections, without discriminating between either wells or fields in their takes of such crude.

5. That each of the said other common purchasers shall take all such oil offered to it by Stanolind Oil Purchasing Company in the proportion that its total purchases for the month of August bears to the total purchases of all common purchasers during the month of August, 1955.

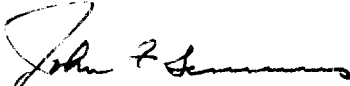
6. That any common purchaser, purchasing crude oil in New Mexico during the month of October, 1955, shall purchase such crude oil under terms and conditions consistent with this order.

PROVIDED HOWEVER, that nothing in this order shall be construed as denying any operator the right to apply for "back allowable" pursuant to the terms of Rule 503 (f) of the Commission's Rules and Regulations.

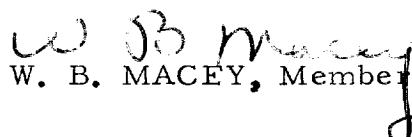
The foregoing order shall remain effective until further order of the Commission.

DONE at Santa Fe, New Mexico, this 27th day of September, 1955.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JOHN F. SIMMS, Chairman


E. S. WALKER, Member


W. B. MACEY, Member and Secretary

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